

EXECUTIVE SUMMARY

PURPOSE

To describe the extent, characteristics, and impact of hospital closure in 1994.

BACKGROUND

The closure of hospitals in recent years has generated public and congressional concern. According to a number of studies, more hospitals are expected to close in coming years. Questions have been raised about the phenomenon of hospital closure, as well as the implications for public policy.

We released a report in May 1989 describing the nationwide phenomenon of hospital closure in 1987. We continued our analysis of hospital closure to determine trends and effects of the phenomenon. We issued subsequent annual reports on hospital closure in 1988 through 1993.

The findings from all the previous OIG studies of hospital closure were similar. The hospitals that closed were small and had low occupancy rates. When the hospitals closed, few patients were affected. Most could get medical care nearby.

FINDINGS

Our inspection of hospital closure in 1994 produced findings similar to those previously reported for 1987-1993.

- ▶ Sixteen general, acute care hospitals closed, continuing a downward trend in the annual number of closures. This is the lowest number of closings in one year since we began this series of reports. The highest number of closures was 88 in 1988. Six new general, acute care hospitals opened in 1994, and seven hospitals that closed prior to 1993 reopened in 1994.
- ▶ Five of the closed hospitals were rural and 11 were urban.
- ▶ Closed hospitals in both rural and urban areas were much smaller than the national averages.

Rural hospitals that closed had an average of 19 beds as compared to an average of 80 beds for all rural hospitals nationally.

Urban hospitals that closed had an average of 97 beds as compared to an average of 303 beds for all urban hospitals nationally.

- Occupancy rates for closed rural and urban hospitals were lower than the national averages.

Rural hospitals that closed had an average occupancy rate of 28 percent as compared to an average of 35 percent for all rural hospitals nationally. The average daily census in the year prior to closure was about 5 patients.

Urban hospitals that closed had an average occupancy rate of 41 percent as compared to an average of 53 percent for all urban hospitals nationally. The average daily census in the year prior to closure was about 39 patients.

- The average Medicare utilization of hospitals that closed was about the same as all hospitals nationally.

In rural areas, the average Medicare utilization among hospitals that closed was 55.4 percent compared to an average of 55.5 percent for all rural hospitals nationally. About 3 Medicare patients were in the hospital on an average day in the year prior to closure.

In urban areas, the average Medicare utilization among hospitals that closed was 49.8 percent compared to an average of 47.9 percent for all urban hospitals nationally. About 20 Medicare patients were in the hospital on an average day in the year prior to closure.

- Medicaid utilization of hospitals that closed was slightly higher than the national averages.

In rural areas, the average Medicaid utilization among hospitals that closed was 13.8 percent as compared to an average of 12.8 percent for all hospitals nationally.

In urban areas, the average Medicaid utilization among hospitals that closed was 16.7 percent as compared to an average of 14 percent for all urban hospitals nationally.

- Although residents in a few communities had to travel greater distances for hospital care, most had emergency and inpatient medical care available within 10 miles of a closed hospital.
- At the time of our inspection, 8 of the 16 closed hospital facilities (50 percent) were being used for health-related services. Also, plans were being made to use 3 of the remaining 8 vacant hospitals for health-related services.